

Tradewinds Utilities, Inc.

P.O. Box 5220
Ocala, FL 34478-5220
352-622-4949

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11 JUN 21 AM 9:25

June 17, 2011

COMMISSION
CLERK

Ms. Ann Cole
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: Docket No. 100127-WU
Consultant Agreement

Dear Ms. Cole,

The following is the consulting agreement with Tangibl, LLC dated February 22, 2010.

Sincerely

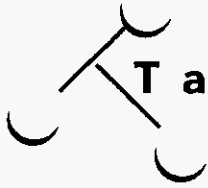
Charles deMenzes

Charles deMenzes

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T a n g i b l LLC

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FEDERAL WATER CENTER

COMMISSION
CLERK

February 22nd, 2010

Mr. Charles deMenzes
CFAT H2O
Tradewinds Utilities
PO Box 5220
Ocala, FL 34478

**Subject: Water Rate Case Preparation for DeMenzes Companies
CFAT H2O
Tradewinds Utilities**

Dear Charlie:

Tangibl is pleased to submit this proposal to prepare Florida water utility rate cases for CFAT H2O and Tradewinds Utilities, per your request. The rate cases will be directed and managed by Donald J. Clayton, P.E., Vice President – Management Consulting. The project team will also include support staff located in our Pittsburgh and Yardley offices. This proposal includes a summary, a description of our approach to rate case preparation, the cost and timing of proposal, the qualifications of our firm and its personnel, and references.

Summary

This proposal for preparing the water utility rate cases is submitted to the DeMenzes Companies by Tangibl, LLC. Tangibl is an engineering-based professional services firm with a history that goes back to 1988. Tangibl possesses expertise in numerous disciplines including project engineering, project design, project management, design and construction management, and utility rate consulting, including rate-related studies and depreciation studies. The firm is headquartered in Yardley, Pennsylvania and employs approximately 30 professionals and support staff.

The Management Consulting group at Tangibl specializes in preparing and testifying in support of rate cases in the areas of cost of service (including rate design), working capital (lead/lag studies), cost of capital, property records, valuation and depreciation. Members of the Management Consulting group maintain active membership in the Society of Depreciation Professionals and the Society of Utility and Regulatory Financial Analysts. Our staff members have testified in support of utility rate matters in seven states and in front of the Federal Energy Regulatory Commission and the Surface Transportation Board. Our clients range in size from very small gas and water distribution utilities to the nation's largest electric companies.

Our results have historically been very good. On average, our clients receive approximately 66% of the rate increase requested, with some clients achieving rates that exceed 90% of the amount requested. Results are subject to a number of factors, including, the availability of good data and strong backup, the number of items (expenses, capitalization, rate of return) that use methods of calculation outside of the norm for the Commission, and the number of accounting and pro forma adjustments required.

Our approach to the preparation of water rate cases studies consists of the following elements: (1) determine test year; (2) assemble and organize billing, expense, rate base, capital cost and accounting data required; (3) conduct billing analysis to prove up test year revenue; (4) determine jurisdictional

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allocation of costs among related companies; (5) determine optimal methods for calculation of working capital, depreciation; (6) determine revenue requirement and optimal rate design; (7) prepare all minimum filing requirements in accordance with the requirements from the Florida Public Service Commission; (8) provide support for the rate case filings before regulators, as necessary.

The estimated cost of preparing the rate cases for both CFAT H2O and Tradewinds Utilities is **\$25,000**. It is our understanding that both companies are run by the same management company, thus, they use the same systems for billing, accounting and property records systems, which allows some of the data processing methodology to be re-used from one case to the next, thus reducing your cost for our services. This estimate is detailed in the Project Cost and Schedule below. Tangibl will complete the initial filing within three months from the notice to proceed, provided we are able to get the data required in a timely fashion. Tangibl is prepared to start the project immediately.

For the discovery phase (data requests, interrogatories, preparation of supplemental exhibits outside the scope of this proposal, etc.) and the post discovery phase of the project (hearing appearances, cross examination, settlement discussions, etc.), Tangibl proposes to bill for services based on actual hours spent based on the hourly billing rate schedule contained in the Project Cost and Schedule below. Tangibl's direct expenses related to any required discovery and post discovery services will be billed at cost. You may help to control the level of cost for this part of the rate case by choosing the portions of this part of the rate proceeding where you would like Tangibl assistance in preparing answers/exhibits/etc.

This proposal assumes that the rate filings will be made in 2010, and that the required accounting and other data requested by Tangibl is delivered in electronic format or other suitable format, as available. The data items required are listed in the Data Elements section below.

We will assist where possible with the retrieval of data from your existing accounting and/or property records systems. Please note that your support in answering questions and providing additional support as requested will help to ensure that the cases are completed in a timely fashion.

Please note that Tangibl is not a law firm. You will need to engage a law firm to submit the filings on behalf of your companies.

Work Plan

Task 1: Initial Meeting

Upon receiving authorization to proceed, the project will begin with a meeting to introduce you to the Tangibl team assigned to the project. A review of the accounting and billing records and other appropriate records will enable us to assess the scope and detail of the records in order to formulate a detailed data assembly plan.

Pro forma adjustments for increases in wages, insurance, purchased power, purchased water, etc., will be discussed. Backup will be required for any pro forma adjustments to be made.

A policy review to address objectives for the rate design will also be conducted. The policy objectives would include social programs, economic development, implementation costs and customer acceptance. The results of the agreed-upon policy objectives, revenue requirements and existing rate levels will be used to establish goals for a recommended rate structure and design.

Task 7: Draft Minimum Filing Requirements & Supplemental Exhibits

After Tasks 1 to 6 are complete, Tangibl will prepare a draft of the minimum filing requirements for each rate case in the format prescribed by the Florida PSC, including reconciling the submissions back to the appropriate financial statements and PSC annual reports. Tangibl will review any deficiencies at this time and schedule a meeting to review the draft. After the meeting, Tangibl will finalize the submission giving due consideration to the input from the deMenzes Companies.

Task 7: Final Submission

The final set of documents, including the minimum filing requirements and any/all supplemental exhibits and workpapers will be prepared by Tangibl and delivered to the deMenzes Companies and/or their attorney for submission to the Florida PSC.

Task 8: Presentation to and Support before the Florida PSC

Any items beyond preparing the initial submission, such as responding to data requests, attendance at meetings, settlement conferences or hearings, presentations, and/or written testimony, will be performed as required and billed in accordance with the billing rate schedule included in the Project Cost section of the proposal. We would anticipate that these costs would not exceed \$5,000-\$10,000 in total.

Project Team

The experience of the assigned project team will ensure that the study is successfully completed on behalf of the DeMenzes Companies.

Donald J. Clayton, Vice President, Management Consulting, will serve as the principal for the study. He will be responsible for the overall conduct of the assignment and will ensure the commitment of our firm's resources. Mr. Clayton has over 30 years experience in the water utility industries both as a consultant and as a utility executive. He has extensive experience and knowledge of water utility ratemaking issues, revenue requirements, financial and economic analysis, cost of service allocation and rate structure analysis. Mr. Clayton's resume is attached separately to this proposal.

W. Wade Horigan will be the project manager for the assignment. He will be responsible for the day-to-day preparation of the rate cases and will serve as the primary contact for the team. Mr. Horigan has experience supporting rate proceedings for utilities in the electric, gas and water industries. Mr. Horigan's resume is attached separately to this proposal.

Messrs. Clayton and Horigan will be assisted by the support staff in our Yardley office.

Project Cost and Schedule

Florida Water Utility Rate Case – Base Fee

Includes initial data collection, billing analysis, minimum filing requirement (MFR) preparation, rate design, and direct testimony:

Engagement

We appreciate the opportunity to submit this proposal and look forward to working with you on this important assignment. If this proposal is acceptable to you, your signatures below will be sufficient notice for us to proceed. If you have any questions or need additional information please contact me at donald.clayton@tangibl.com or (724) 934-1936 or contact Wade Horigan at wade.horigan@tangibl.com or (412) 716-4552.

Very truly yours,

TANGIBL, LLC



Donald J. Clayton, PE, CFA
Vice President
Management Consulting

By signing below I agree to and accept this proposal, and hereby give Tangibl notice to proceed:

CFAT H2O
TRADEWINDS UTILITES

Charles deMenzes
President
CFAT H2O
Tradewinds Utilities